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THE SECRETARY OF COMMERCE
Washington, D.C. 20230

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Honorable Caspar W. Weinberger
Secretary of Defense
Washington, D.C. 20301

Dear Cap,

As promised, here is my update on implementation of the President's decision to liberalize our technology transfer policy toward China by placing the PRC in the "free world" category (Country Group "V").

My staff advises that there has been excellent cooperation between our two departments. A commodity working group was established under the chairmanship of the NSC staff. After 13 meetings of this group, most issues have been resolved. For example, work is nearly complete on defining a Green List of products and technologies which can be licensed to the PRC without interagency review.

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Of course, the Green List is only one part of the new China policy. What is as important is to define the commodities and technologies which belong on the Red List or on the Yellow List. The Red List will represent items the transfer of which will not be authorized. The Yellow List should represent items warranting case-by-case review, but with a presumption of approval. We have recently received your proposed Red List and are reviewing it.

I understand that the Joint Chiefs of Staff have prepared a document which delineates our strategic relationship with China

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Classified by Lionel H. Olmer
Review for declass. Aug. 10, 2000

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If my understanding of the JCS paper is correct, I think we have gone a long way toward making China a "V" country in substance as well as form, while still allowing for national security considerations tailored specifically for the PRC.

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It is important that we complete this policy implementation process and publish it as soon as possible, both in anticipation of Chinese expectations and of your forthcoming trip to China.

I'd appreciate your views on my assessment of the current status.

Sincerely,

Mac

Secretary of Commerce